



STRENGTHENING CAPACITY OF MUNICIPALITIES:

Recommendations from NGO Ecoclub
for Sustainable Development and Green Energy

NGO Ecoclub has been working to protect the environment in Ukraine for over 25 years, with more than 20 of those years dedicated to the energy sector. Amid Russia's war on Ukraine, we are actively supporting communities in developing renewable energy sources, implementing energy-efficient solutions, adapting to climate change, preserving district heating systems, and advocating for environmental impact assessments on potentially hazardous reconstruction projects.

This document provides recommendations for stakeholders seeking to support Ukraine's sustainable recovery. Thank you for your contribution to the sustainable rebuilding of our municipalities!

Energy and Decentralization

The Need for Direct Funding for Municipalities

Ukraine's decentralization reform is one of the country's most successful initiatives. During the war and reconstruction, it is essential to ensure that municipalities have direct access to various funding sources without the need for approval or oversight from regional or national authorities. This will improve project efficiency and reinforce the achievements of decentralization.

Key elements for efficient involvement of municipalities:

- Direct collaboration between donors and municipalities for effective resource allocation.
- Mechanisms to unite small municipalities for joint funding access.
- Transparent financial tools that operate independently of government or regional administration control.
- Clear accountability measures, allowing municipalities to demonstrate project effectiveness.
- Support for the DREAM platform to collect funding requests from municipalities.
- Access to fixed-rate loans in the national currency with simplified procedures.
- Availability of grants covering 30-50% of project budgets and interest rate reductions to 3-5%.
- Technical assistance and training for municipalities to enhance cooperation with international organizations.

Building Municipal Capacity and Strengthening Workforce through Training Programs

Municipalities need the capacity to implement renewable energy (RE) projects effectively, which will facilitate productive collaboration with investors.

The lack of qualified specialists in municipalities (such as environmental experts and energy managers) necessitates:

- Development of training programs for professionals seeking to improve their skills.
- Engagement of local government and utility representatives in projects supported by international organizations to build awareness.
- Creation of a network of "energy consultants" operating on a market basis, who can assist municipalities with analysis, planning, management, and implementation of decentralized energy projects.

Engaging Local Authorities in Adopting Regulations of the Energy Sector

Collaboration with local authorities is essential for investors, as municipalities can offer valuable insights for crafting effective regulations that align with local needs.

Achieving this requires active communication between policymakers, municipalities, and relevant organizations. Local authorities should be informed of proposed measures and involved in discussions.

Effective community involvement in the legislative process will promote civil society development and strengthen democratic processes in Ukraine.

The Importance of Investing in Renewable Energy Projects for Municipal Facilities, Especially Water Utilities

Renewable energy projects, particularly solar power plants, are cost-effective for municipal enterprises, including energy-intensive facilities like water utilities. The payback period for grid-connected solar power plants is approximately 3-5 years.

It is essential to ensure:

- Provision of technical and financial assistance for developing feasibility studies and project documentation.
- Creation of pilot investment models that enable rapid construction of renewable energy systems to power water utilities.
- Combining grants with investment funds for long-term sustainable development, which will support the financial stability of water utilities.
- Encouraging stronger political support for renewable energy projects to empower municipalities to implement energy-independent solutions.

Tariffs for Heat and Electricity Do Not Fully Reflect Market Conditions

Despite efforts to liberalize the energy market, tariffs for heat and electricity in Ukraine remain opaque and do not cover actual costs. This limits the modernization of CHP plants, creates distorted price signals, and hinders investments in energy efficiency and renewable energy. The district heating system is gradually deteriorating due to a lack of investment, which undermines its economic stability.

Key steps to address the issue:

- Setting market-based tariffs that reflect actual costs to attract investment in modernization and renewable energy development.
- Supporting the modernization of district heating infrastructure to reduce heat losses and ensure long-term stability for municipalities.
- Strengthening the regulatory framework by reducing political influence on tariffs, providing stable rules for producers and suppliers, and enhancing market competitiveness.
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Environmental Protection

Ensuring Access to Information and Public Participation in Decision-Making Processes

Financial institutions provide funding for projects with potentially significant environmental impacts.

Adherence to high standards of transparency and environmental responsibility, such as access to environmental information and public participation, reduces the risk of violations, enhances investment attractiveness, and ensures compliance with international standards (the Aarhus Convention, the Espoo Convention, Directive 2011/92/EU).

Key steps to ensure compliance with environmental standards include:

- Implementing independent environmental impact assessments for all funded projects, regardless of local legal requirements.
- Regular environmental impact monitoring with publicly available reports to ensure transparency.
- Mandatory public consultations, even in exceptional situations, using online tools.
- Monitoring air, water, and soil quality in the areas of high-risk pollution sites with real-time data access.
- Developing environmental responsibility policies throughout all stages of project financing (from project design and implementation to monitoring the fulfillment of environmental requirements).
- Offering educational programs for clients and partners on environmental standards and international norms.

Need for the Reform of Environmental Impact Assessment (EIA) and Prevention of its Cancellation during Reconstruction

Environmental Impact Assessment (EIA) is a key tool for environmental safety and sustainable development, especially during the post-war reconstruction period in Ukraine. It is crucial to ensure the effectiveness and functionality of EIA and Strategic Environmental Assessment (SEA) during the recovery process and prevent the narrowing of their scope, which would contradict Directive 2011/92/EU, Directive 2001/42/EU, and the Aarhus Convention.

Proposed legislative changes that allow for the cancellation of EIA procedures for certain reconstruction projects pose risks to environmental safety, public health, and international cooperation. Proper reform of the EIA system, focusing on transparency, institutional accountability, and public participation, is critical for the successful post-war recovery.

Climate

Addressing the Challenges of Climate Change Already Impacting Ukraine

Ukraine is already facing the consequences of climate change, which poses additional challenges to its vulnerable economy and infrastructure, which have been damaged by the war. It is crucial to account for climate risks in the reconstruction process in order to reduce their impact on communities.

Necessary steps include:

- Integrating climate adaptation into reconstruction plans.
- Supporting local communities in conducting vulnerability assessments through access to financial and technical assistance.
- Creating a national network for the exchange of experience to more effectively implement environmental protection measures.
- Providing financial support for adaptation measures, prioritizing projects that meet European standards.
- Implementing nature-based solutions by preserving ecosystems and creating green spaces.

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